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FM AMCONSUL JERUSALEM  
TO RUEHC/SECSTATE WASHDC0000  
INFO ARAB ISRAELI COLLECTIVE  
RUCPDOC/DEPT OF COMMERCE WASHDC  
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UNCLAS JERUSALEM 004807

SIPDIS

SENSITIVE  
SIPDIS

NEA/IPA FOR WILLIAMS/SHAMPAINE/STEINGER; TREASURY FOR  
SZUBIN/LOEFFLER/NUGENT/HIRSON

E.O. 12958: N/A  
TAGS: [ECPS](#) [ECON](#) [BEXP](#) [KWBG](#) [IS](#)  
SUBJECT: EXPOTECH 2006 DEMONSTRATES PALESTINIAN IT SECTOR  
RESILIENCE

**¶11. (SBU) SUMMARY:** THE THIRD ANNUAL PALESTINIAN IT SECTOR EXHIBITION EXPOTECH 2006 FEATURED A RECORD 49 COMPANIES, INCLUDING SEVEN PARTICIPATING FROM GAZA VIA A BROADBAND LINK. A VARIETY OF PRODUCTS FROM U.S. IT COMPANIES WERE ON DISPLAY. SECURITY-RELATED PRODUCTS WERE MORE PROMINENT THAN IN PAST YEARS. DETERIORATING ECONOMIC CONDITIONS IN THE WEST BANK AND GAZA HAVE BUFFETED THE IT SECTOR. ISRAELI LICENSING REQUIREMENTS AND LENGTHY INSPECTION PROCEDURES HAVE HAMPERED THE IMPORTATION OF U.S. PRODUCTS, ACCORDING TO PALESTINIAN IT COMPANY REPRESENTATIVES. THE PALESTINE INFORMATION AND COMMUNICATIONS TECHNOLOGY INCUBATOR (PICTI), A LOCAL NGO ESTABLISHED WITH USAID SUPPORT, ANNOUNCED THE LAUNCH OF A FUND INTENDED TO PROVIDE INVESTMENT AND SEED MONEY TO EARLY-STAGE IT COMPANIES AND IT ENTREPRENEURS. END SUMMARY.

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IT SECTOR EXPANDING  
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**¶12. (SBU) EXPOTECH 2006,** THE THIRD ANNUAL EXHIBITION OF PALESTINIAN IT COMPANIES, WAS HELD NOVEMBER 6-8 IN AL-BEIREH, NEAR RAMALLAH IN THE WEST BANK. EXPOTECH 2006 WAS ORGANIZED BY THE PALESTINE INFORMATION TECHNOLOGY ASSOCIATION (PITA) AND THE PALESTINE TRADE CENTER (PALTRADE) WITH SIGNIFICANT FINANCIAL BACKING FROM THE PALTEL GROUP, THE MOST PROMINENT PALESTINIAN TELECOMMUNICATIONS COMPANY AND OWNER OF JAWWAL, THE SOLE OPERATING PROVIDER OF CELL PHONE SERVICE IN THE WEST BANK AND GAZA. CONSOLIDATED CONTRACTORS COMPANY (CCC) AND ARAB PALESTINIAN INVESTMENT COMPANY (APIC), A RAMALLAH-BASED INVESTMENT HOUSE, ALSO HELPED FUND THE EVENT. A RECORD 49 COMPANIES PARTICIPATED IN THE EXHIBITION -- 13 MORE THAN LAST YEAR -- INCLUDING SEVEN FROM GAZA THAT PARTICIPATED VIA A SPECIALLY DESIGNED PAVILION IN THE MAIN EXHIBITION HALL OFFERING BROADBAND LINKS ALLOWING THE GAZA FIRMS TO INTERACT WITH FELLOW IT COMPANIES AND EXHIBITION VISITORS. EXPOTECH FEATURED TECHNOLOGIES AND EQUIPMENT DEVELOPED WORLDWIDE AND ALSO SHOWCASED LOCALLY DEVELOPED INNOVATIONS AND SERVICES.

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SALES CONTINUE DESPITE WEAK ECONOMY  
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**¶13. (SBU) THE PRODUCTS OF SEVERAL MAJOR U.S. IT COMPANIES,** SUCH AS CISCO, HP, AND DELL WERE PROMINENTLY FEATURED. THE NUMBER OF BOOTHS OFFERING SECURITY EQUIPMENT AND RELATED SOFTWARE HADQEDLY INCREASED SINCE LAST YEARS EXHIBITION. MOST OF THESE PRODUCTS WERE OF CHINESE, SOUTH KOREAN OR JQSE ORIGIN. LOCAL SOFTWARE DEVELOPERS WERE WELL REPRESENTED, DEMONSTRATING THE ADVANCING CAPABILITIES OF THE PALESTINIAN IT SECTOR. VENDORS COMMENTED THAT THE DOWNWARD TREND OF THE PALESTINIAN ECONOMY SINCE THE FORMATION OF THE

HAMAS-LED GOVERNMENT IN MARCH 2006 HAS DAMPENED SALES, BUT PRIVATE COMPANIES, AFFLUENT INDIVIDUALS AND BANKS CONTINUE TO DEMAND THE LATEST TECHNOLOGY.

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IMPORTERS FACE DELAYS  
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14. (SBU) IMPORTERS OF U.S. PRODUCTS TOLD ECONOFFS THAT ISRAELI LICENSING REQUIREMENTS AND INSPECTION PROCEDURES SIGNIFICANTLY DELAY THE RECEIPT OF ORDERED GOODS. ANY ITEM CONTAINING A MODEM, FOR EXAMPLE, HAD TO BE INSPECTED, RESULTING IN DELAYS OF UP TO EIGHT MONTHS, IN SOME CASES. (NOTE: ACCORDING TO THE IMPORTERS, ISRAELI AUTHORITIES INSPECT A SAMPLE OF THE TARGETED SHIPMENT AND NOT EVERY ITEM IT CONTAINS. THEY ASSERT THAT THE OFFICE THAT CONDUCTS THE INSPECTIONS IS OPEN ONLY ONE DAY A WEEK. END NOTE.) A PALESTINIAN IMPORTER OF MOTOROLA CELL PHONES SAID THAT IN SHIPMENTS SHARED WITH HIS ISRAELI COUNTERPART THE PORTION OF THE CARGO DESTINED FOR ISRAEL IS RELEASED IN 3-4 DAYS WHILE IT TAKES 3-4 MONTHS BEFORE HE SEES HIS SHARE OF THE GOODS. (NOTE: ECONOFFS AND FCS JERUSALEM ARE ORGANIZING A MEETING WITH PALESTINIAN IT COMPANIES TO DISCUSS DIFFICULTIES THEY ARE EXPERIENCING WHEN IMPORTING U.S. IT PRODUCTS. END NOTE.)

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LOOKING TO THE FUTURE  
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15. (SBU) PERSONNEL AT PICTI'S BOOTH ADVISED ECONCQEF OF A NEW PROJECT CALLED THE PICTI FUND INTENDED TO STIMULATE INVESTMENT AND PROVIDE SEED FUNDS TO EARLY STAGE TECHNOLOGY AND TECHNOLOGY-DRIVEN COMPANIES IN THE WEST BANK AND GAZA. THE FUND, A FOR-PROFIT LIMITED PARTNERSHIP, WILL INVEST IN

THE DEVELOPMENT OF ENTREPRENEURS IN THE IT SECTOR, PROVIDING THEM WITH INCUBATION SERVICES, RESOURCES AND FINANCIAL OPPORTUNITIES. THE TARGET SIZE OF THE FUND IS USD 5 MILLION.

(NOTE: UNDER THE REVISED PALESTINIAN ASSISTANCE PACKAGE APPROVED JULY 2006, USAID PROVIDED USD 1.5 MILLION TO PICTI TO SUPPORT THE ESTABLISHMENT OF THE NEW SEED FUND. THE USAID INVOLVEMENT IN THE PROGRAM ENDED SEPTEMBER 30, END NOTE.) PALTEL GROUP CEO ABDUL MALIK JABER DESCRIBED TO ECONOFFS PALTELS DECISION TO PROVIDE USD 3 MILLION TO THE PICTI FUND. PALTEL WILL ALSO PROVIDE PICTI USD 150,000 ANNUALLY TO HELP COVER OPERATING COSTS. JABER ADVISED THAT PLANS ARE CONTINUING FOR THE AWARDING OF THE FIRST PALESTINIAN ENTREPRENEURSHIP AWARDS, OF WHICH THERE WILL BE 12 TOTALING USD 250,000.

16. (SBU) A LOCAL SOFTWARE DEVELOPER OF MAPS AND MAP SOFTWARE CONVEYED TO ECONOFFS HIS CONCERNs ABOUT PERVERSIVE INTELLECTUAL PROPERTY RIGHTS (IPR) VIOLATIONS IN THE WEST BANK AND GAZA. HE ASSERTED THAT ONE OF HIS COMPANY'S SOFTWARE PACKAGES VALUED AT USD 20,000 CAN BE OBTAINED IN PIRATED FORM FOR A FEW DOLLARS. HE ASSERTED THAT THE PA OFFERS NO PROTECTION TO LEGITIMATE SOFTWARE DEVELOPERS. HE ASKED THAT THE USG, EU, WORLD BANK AND OTHER FOREIGN DONORS DO MORE TO ENSURE ADHERENCE TO IPR STANDARDS WHEN IMPLEMENTING THEIR ASSISTANCE PROGRAMS. HE SUGGESTED THAT USAID CONTRACTORS AND OTHER RECIPIENTS OF USG FUNDS SHOULD BE REQUIRED TO ADHERE TO USG IPR REGULATIONS WHEN MAKING LOCAL PURCHASES. THE SOFTWARE DEVELOPER, HOWEVER, DID NOT OFFER ANY SPECIFIC EXAMPLES OF IPR VIOLATIONS INVOLVING USAID OR ANY OTHER FOREIGN ASSISTANCE CONTACTS. ECONOFF REPLIED THAT THE USG GIVES HIGH PRIORITY TO IPR CONCERNs BUT CURRENTLY CANNOT ENGAGE A HAMAS-LED PA GOVERNMENT ON THIS SUBJECT. HE NOTED THAT USAID CONTRACTS INCLUDE CLAUSES REQUIRING ADHERENCE TO IPR REGULATIONS.

WALLES